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The Democrats' Rules Package

The Democrats' claim to "fiscal discipline" in the 110th Congress sounds commendable. But, with little exception, the proposals laid out in their Rules package will only promote higher taxes, higher spending, and continued budget deficits. Key points:

PAY-AS-YOU-GO [PAYGO]

It's a Plan to Raise Taxes.

- Allows Democrats to increase spending as much as they like – as long as they "pay for" it by cutting other spending or – *more likely* – by chasing that spending with ever-higher taxes.
 - ▶ Assumes that the '01 and '03 tax relief will automatically expire, *causing a substantial tax increase for taxpayers across the board.*
 - ▶ Also assumes that simply maintaining current tax laws is actually a NEW tax cut – requiring offsets to "pay for" it.
- We don't need higher taxes. The fundamental budget problem is that we are spending too much – not taxing too little.
 - ▶ Tax revenue has grown in *double-digit* percentages for the past two years – precisely because the '01 and '03 tax relief we've maintained has supported robust economic growth and job creation.

It Doesn't Reduce Spending. Applies only to NEW spending. It does nothing to reduce current spending – *which is already growing at unsustainable rates.*

- Entitlements:
 - ▶ Entitlements currently consume 53% of the total budget – and are expected to swell to 64% in a decade *if left unchanged.*
 - ▶ Medicare is growing at more than 8% per year, Medicaid at about 10%. If the budget were balanced today, either one of these programs would drive us right back into deficit.
 - ▶ These figures *do not* include the full impact of the baby boom retirement – let alone the immense NEW entitlement spending Democrats have planned.
- Appropriations:
 - ▶ PAYGO completely ignores annual appropriations – the spending that Congress takes the vast majority of their time debating.

It Doesn't Reduce Deficits. While Democrats' PAYGO requires offsetting NEW entitlement spending and tax relief, it doesn't work to reduce deficits – it only works to maintain them at their current levels.

Sets a Double Standard Favoring Higher Spending.

- Assumes that spending is forever, tax relief is temporary.
 - ▶ Protects all current spending – even the programs scheduled to expire.
 - ▶ Assumes, however, that expiring tax relief will lapse – and thus require offsets to continue.
 - ▶ *This double standard reflects the Democrats' true preference: to protect higher spending, but not lower taxes.*

It Contains a Huge Spending Loophole.

- Buy Now, Pay Later. In a huge gimmick, Democrats allow themselves to “pay for” their spending in the near term by promising spending cuts down the line – cuts that everyone knows will never go into effect.
 - ▶ This is particularly transparent, as spending increases almost *always* balloon in the out-years, making them even more difficult – and even less likely – to be paid for.

It's a Weak, Watered-Down PAYGO.

- All previous PAYGO versions were enforced by across-the-board spending cuts – that's what created the incentive to control spending. But the Democrats' PAYGO is enforced only by a point of order – which the majority can easily waive for popular spending increases.
 - ▶ This is an even weaker version of PAYGO than the Democrats offered just a year and a half ago – which prohibited waiving the point of order.
 - ▶ *In other words, now that the Democrats are in the majority, they've decided they cannot live with the discipline they supported when they were in the minority.*
- Also fails to include caps on annual appropriations – which have accompanied PAYGO requirements in the past. *Thus, it ignores roughly 1/3 of the entire budget.*

RECONCILIATION

Makes it Easy to Raise Taxes, Difficult to Reduce Them.

- Allows the use of expedited procedures (budget reconciliation) to *raise taxes*.
- At the same time – prohibits using reconciliation for adopting *tax relief*.

EARMARK REFORM

The Positive – Earmark Reform.

- Appears to show Democrats' commitment to curtailing special-interest, pork-barrel spending.
 - ▶ Builds on Republican-passed earmark reform.
 - ▶ Unlike Democrats' PAYGO proposal, prohibits waiving the point-of-order against bills violating earmark rules.